Government of
Saskatchewan

2005-2006
Annual Report

Saskatchewan
Highways and
Transportation

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Web address for the Saskatchewan Highways and Transportation 2005-06 Annual Report

www.highways.gov.sk.ca

Letters of Transmittal

Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report for the Department of Highways and Transportation for the fiscal year ending March 31, 2006.

Eldon Lautermilch
Minister of Highways and Transportation

The Honourable Eldon Lautermilch
Minister of Highways and Transportation

Dear Sir:

I have the honour of submitting the Annual Report of the Department of Highways and Transportation for the fiscal year ending March 31, 2006.

John Law
Deputy Minister

Introduction

This Annual Report documents actual results for the key actions and performance measures that were published in the 2005-06 Performance Plan released in March 2005. The 2005-06 Performance Plan is available at: www.highways.gov.sk.ca/docs/reports_manuals/reports/pp_05.pdf and identifies outcomes the department is working towards to achieve its long-term strategic plan and vision of transforming Saskatchewan's transportation systems to meet the social and economic development opportunities of the 21st century. The goals and objectives articulate the long-term outcomes the department is pursuing in support of its vision and will take several years to realize. The performance measures are key tools to gauge progress towards achieving the objectives.

The Annual Report also reports progress made on commitments associated with the Government-wide plan, released in March 2005. The provincial Budget and Performance Plan Summary for 2005-06 is available at: www.gov.sk.ca/finance/budget/budget05/budgetsummary.pdf.

Reporting on actual year-end results, both financial and performance results, as compared to our Performance Plan released at the start of the year, increases accountability to the public. The government's Accountability Framework, has served as the foundation for continued improvements. Since 2001, Saskatchewan Highways and Transportation has worked to improve its accountability to the public through improving its public reporting.

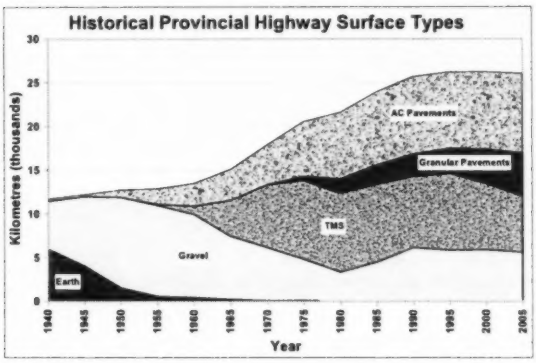
The department's 2006-07 Performance Plan was released with the provincial budget on April 6, 2006, and can be found at: www.highways.gov.sk.ca/docs/reports_manuals/reports/pp_06.pdf.

Who We Are

The mandate of the Department of Highways and Transportation is to optimize transportation's contribution to the social and economic development of Saskatchewan by operating, preserving and guiding the development of the provincial transportation system and enhancing provincial transportation system assets.

The provincially operated infrastructure includes 26 208 km of highways, 820 bridges, 354 large culverts, 18 airports in northern Saskatchewan, 12 ferries on the Saskatchewan River system and a barge on Wollaston Lake. The road network consists of 9 143 km of asphalt pavements, 4 913 km of granular pavements, 6 397 km of thin membrane surface (TMS) highways, 5 584 km of gravel highways and 171 km of ice roads.

Historical highway surface types are presented in the following chart:



The department has made progress in transforming TMS highways that are not capable of carrying any significant truck traffic, to granular pavements, which are able to accommodate heavy trucks. In 1995 the province had 8 600 km of TMS highways and by the end of 2005 the length has been reduced by 2 203 km to 6 397 km, a 25.6 per cent reduction. The majority of the 2 203 km of TMS highways were converted to granular pavements.

The department's activities can be grouped into four main areas focused on achieving our vision of transforming Saskatchewan's transportation systems to meet the social and economic opportunities of the 21st century:

- Operating the transportation system;
- Preserving the transportation system;
- Restoring and enhancing the transportation system; and
- Planning and developing transportation policy.

Operating the Transportation System

Operating the transportation system involves the delivery of a wide range of services to ensure the safe, orderly and efficient movement of people and goods. This includes pavement marking, signing, lighting, mowing, snow and ice control as well as ferry and airport operations. Related operational services such as property acquisition and management, traffic engineering, trucking programs, preservation and engineering services are provided. It also includes enforcement of transportation legislation for the provincially owned infrastructure and provincially regulated short-line railways.

Operating the province's highway network is facilitated by traffic counting and operational support services including developing and administering engineering standards and policies for road design, construction management, roadside development, access management, traffic guidance, signing standards, road safety (e.g. speed limits, access, etc.) and utilization of aggregate resources. Professional and technical expertise is provided to rural municipalities concerning the municipal road network. The department manages the Municipal Heavy Haul, Traffic Counting and Bridge Programs for the Department of Government Relations.

As of October 1, 2005 the department had 1 465 employees stationed in 105 Saskatchewan communities. Department crews are responsible for most surface repair activities like crack filling, sealing and patching. They provide snow and ice control, pavement marking and gravel location services. Department crews also repair and replace signs, most small bridges and drainage structures and operate the 12 Saskatchewan River ferries, one barge on Wollaston Lake and 18 northern airports.

The department owns, operates, and maintains its own maintenance equipment fleet. Book value of

the department's machinery and equipment is about $49.4 million and the replacement cost is approximately $155.4 million.

Preserving the Transportation System

Preserving the transportation system involves preventative maintenance and management of provincial highways, bridges, airports and ferries to ensure a sustainable transportation system is available for the safe, orderly and efficient movement of people and goods. Paved, gravel and TMS highways are sustained through annual surface repair and preventative maintenance activities. Preventative maintenance and regular repair are also required to ensure bridges stay in service up to or beyond their design life.

Through the Strategic Partnership Program (SPP), the department enters into agreements with municipalities and First Nations. The mutually beneficial agreements are cost-effective and facilitate partnerships that support the strategic preservation and management of low traffic volume TMS highways to provide acceptable levels of service for local residents.

Restoring and Enhancing the Transportation System

Restoring the transportation system ensures that the province's existing highway, bridge and airport assets are rehabilitated in a timely manner to protect the province's investment in these key assets and ensure they are able to support the provincial economy. Enhancing the transportation system includes building new or upgrading existing provincial highway, bridge or airport assets to meet the social and economic development opportunities of the future. The road building and heavy construction industry is generally contracted to build new or enhance highways, bridges and airports and resurface paved highways.

Planning and Development of Transportation Policy

Saskatchewan's economy is dependent on trade which requires a competitive and globally accessible transportation system. Developing transportation policy includes working with other jurisdictions, industry stakeholders, and shippers to ensure that legislation and regulatory frameworks encourage efficiency and effectiveness throughout the system and among the transportation modes (road, rail, air, and marine). This includes developing new methods and technology to improve the movement of goods. Transportation planning includes working with stakeholders, such as Area Transportation Planning Committees and municipalities, in the pursuit of defining system needs and strategically investing transportation resources towards garnering economic and social returns for communities throughout the province. A safe, efficient, and reliable transportation system directly and indirectly benefits all Saskatchewan residents.

The groups with a primary interest in working with the department to improve transportation are:

Area Transportation Planning Committees (ATPC)
These committees provide local input on regional strategic transportation issues, and advise provincial or municipal governments on transportation issues based on social and economic goals of the area. There are 11 committees across the province, which generally include representation from rural and urban municipalities, First Nations, Regional Economic Development Authorities (REDA), Saskatchewan Urban Municipalities Association (SUMA), Saskatchewan Association of Rural Municipalities (SARM), the department, and other major regional stakeholder groups. The department considers them a key stakeholder and works closely with individual ATPCs on local and regional transportation issues and with the ATPC Chairpersons Committee on a variety of broader provincial transportation issues.

Saskatchewan Association of Rural Municipalities (SARM)
SARM represents the interests of rural municipal governments in Saskatchewan. The department considers SARM a key stakeholder for transportation issues related to rural Saskatchewan. The municipalities represented by SARM are also responsible for providing road infrastructure, and the department works closely with SARM and rural municipalities to address road transportation issues

at a local and regional level and grain transportation issues at a provincial and federal level.

Saskatchewan Urban Municipalities Association (SUMA)
SUMA represents the interests of urban municipal governments in Saskatchewan. The department considers SUMA a key stakeholder for provincial transportation issues that impact urban Saskatchewan. Urban municipalities are also responsible for providing transportation infrastructure and the department works with SUMA and urban municipalities to address local and jurisdictional transportation issues.

Road Builders and Heavy Construction Association of Saskatchewan (RBHCA)
The RBHCA represents Saskatchewan's road building and heavy construction industry on a federal, provincial and municipal level. They are a key service provider because their members complete the majority of the road construction activity tendered by the department. The department and RBHCA work together to address issues related to construction standards and practices, contract delivery, construction quality, and material specifications.

Consulting Engineers of Saskatchewan (CES)
CES represents the engineering consulting industry in Saskatchewan. The department considers them a key stakeholder since their members provide more than $4.5 million in technical transportation engineering consulting services, like infrastructure planning, environmental assessments, road design, construction management, and testing services on an annual basis.

Saskatchewan Trucking Association (STA)
The Saskatchewan Trucking Association represents the Saskatchewan trucking industry. The department considers them a key stakeholder since their members are key users of the provincial highway system. The department consults the STA on provincial and inter-provincial vehicle weight and dimension regulations and other trucking policy issues.

Canadian Automobile Association (CAA)
CAA represents provincial motorists who are primary users of the provincial highway system. The department considers them a key stakeholder because they are an organized group that represents a segment of provincial motorists.

Organizational Changes

The department did not make organizational changes during 2005-06. The department's organization chart as of March 31, 2006 is provided in Appendix A.

2005-06 Fiscal Year Results

2005-06 Results at a Glance

In 2005-06, the department continued to deliver programs that support transforming the transportation system to meet future economic and social opportunities. The department pursued successful partnerships that enable the safe movement of people and goods as it supports economic and social development. Safety and innovation remained key priorities for the department. Targeted infrastructure investments and a responsive policy framework are needed to ensure the transportation system provides a solid foundation for economic and social growth.

Over the last five years, progress has been made to improve transportation efficiency, safety and sustainability. The province accelerated twinning on Highway 1 west, completing this corridor in October 2003, five years ahead of schedule. Access to primary weights was improved by eliminating the 10-month primary weight designation in 2002-03. A second bridge over the North Saskatchewan River and 3.5 km of twinning west of North Battleford was completed in 2002. Upgrades and resurfacing to the existing bridge were started in 2005-06 with planned completion in 2007.

Further work was done in 2005-06 to continue twinning on Highway 1 east and Highway 16 west of the Battlefords. Another 31 km of twinned highway was opened on Highway 1 east, and nearly 14 km was opened Highway 16 west. As well, 110 km of TMS highways were upgraded to a paved standard for a total of 1 041 km over a five year period from 2001-02 to 2005-06.

To support infrastructure sustainability in 2005-06, 313 km of pavements were resurfaced and 110 km of TMS highways were upgraded to a paved standard. The department completed 18 km of resurfacing on Highway 39 from the U.S. border to Roche Percee under the federal-provincial cost shared Border Infrastructure Fund.

Transportation for Economic Renewal

In 2005-06, the department conducted an extensive environmental scan which identified international, national, provincial, and local trends that has led to a realignment of our vision for managing the transportation system in Saskatchewan. Canada's transportation system is an economic engine for Canada. Provinces and territories are investing in transportation networks but bottlenecks on key access corridors to airports, ports and border crossings are adversely affecting international competitiveness. Policy reform in air, marine and rail sectors that support trade and economic growth are needed to complement the current and required future investments in the transportation system.

Future infrastructure requirements, demanded by industry to support economic initiatives, are increasing as the economy grows. Social needs continue to be a challenge given Saskatchewan's extensive low volume roads network, current economic conditions, low population density and the isolation of the north.

The department will realign investment by adopting a management model that utilizes economic criteria complemented with engineering technical asset management principles to achieve the vision of an economic enabler by creating a transportation network that supports emerging markets. Strategic infrastructure investment will focus on economic enablement that supports industry, producers, manufacturers, First Nations and Métis peoples and others, which will provide economic development resulting in growth and improved social access.

Part of the solution to creating the future transportation system required to capture emerging economic development opportunities lies in the development of strategic policy initiatives including:

- Northern Economic Infrastructure Strategy;
- Strategic Rural Economic Corridors; and
- Urban Economic Connectors.

Summary of Performance Results

In 2005-06, the province invested $307.6 million on the provincial transportation system. This investment allowed the department to improve and restore 611 km of the provincial highway system. Highlights of the key accomplishments are included on the following page by strategic goal.

Key Accomplishments

Goal 1 - A Sustainable Transportation Infrastructure

- The department resurfaced 313 km of the paved highway network, including 181 km of resurfacing on the principal highway network and 132 km on the regional highway network, at a total cost of $39.8 million.
- The department upgraded 63 km of TMS highway to a paved standard through the federal-provincial Prairie Grain Roads Program, at a total cost of $18.6 million.
- An investment of $3.4 million was made on intersection improvements on Highway 11 near Rosthern.
- The department spent $1.1 million on three road improvement projects through industry partnerships and funded $1.9 million of highway and/or safety improvements through funds deposited in the Transportation Partnerships Fund (TPF).
- The department developed three remote Vehicle Weigh Stations in partnership with Transport Canada at Weyburn, Carlyle and Prince Albert to monitor the level of compliance at strategic locations on the network and to identify non-compliant carriers to target weight audits.
- TMS improvements were completed on four construction partnership initiatives for a total length of 33 km at a cost of $5.1 million.

Goal 2 - The Transportation System Strengthens Economic Development

- Resurfacing was completed on 18 km on Highway 39 from the U.S. border to Roche Percee under the federal-provincial cost shared Border Infrastructure Fund.
- The department invested in excess of $32.0 million to preserve, operate and improve provincial highways, bridges and airports in northern Saskatchewan.
- The grading project on Highway 11 north of Warman was tendered. Land purchases were completed and utility moves were initiated.
- The department invested $132,000 for the Centennial Tourism Destination Signing Program and for centennial signing initiatives at border crossings and on major construction projects.
- The department completed 28 km of road improvements under the Road Transportation Agreement with Weyerhaeuser at a cost of $3.2 million.
- In July 2005 the department completed the two year drainage improvement project at the Stony Rapids Airport through the federal Airport Capital Assistance Program.
- Through the Strategic Highway Infrastructure Program and Canada Strategic Infrastructure Fund cost-share programs, the department invested $41.2 million completing 55 km of grading on Highway 1 east and Highway 16 west and surfacing 31 km on Highway 1 east and 14 km on Highway 16 west opening 45 km to traffic.

Goal 3 - Safe Movement of People and Goods

- The department completed 35 safety improvement projects through the safety improvement program at a total cost of $727,000.
- A total of 11 537 Commercial Vehicle Safety Alliance inspections were conducted in 2005-06, exceeding the annual target by 2 037 inspections.

Summary of Financial Results

The department began the year with an approved budget of $300.0 million. This was divided between operations appropriation (Vote 16) of $174.9 million and capital infrastructure appropriation (Vote 17) of $125.1 million. In addition, $6.26 million was carried over from 2004-05 to complete infrastructure projects in accordance with provisions within *The Appropriations Act*.

Throughout the year, for operations appropriation, the department accessed $3.6 million in supplementary estimates funding to cover the increased costs associated with surface preservation due to wet conditions, increases in fuel costs and incremental costs associated with flooding conditions across several areas of the province. An additional $5.2 million was approved to cover increased snow and ice control costs as a result of icy conditions and increased fuel costs during the winter of 2006. These additions resulted in the operations appropriation budget increasing to $183.7 million and the capital infrastructure increasing to $131.4 million for a total approved budget of $315.1 million.

Total 2005-06 department appropriation expenditures were $307.6 million, which was $7.5 million below the approved budget level. Total operations appropriation expenses were $182.8 million, which was $898,000 below budget level as a result of other operational program savings and not accessing $516,000 in special warrant funding for winter maintenance. Total capital infrastructure appropriation expenses were $124.8 million, which was $6.6 million below the approved budget as a result of poor weather conditions delaying contractor progress on rehabilitation projects.

Total department operating expense was $263.9 million, which was $5.2 million below the budgeted expense of $269.1 million, including supplementary funding. Department operating expenses include operations appropriation, plus amortization of capital assets and less capital asset acquisitions such as transportation equipment. A majority of the difference can be attributed to an increase in capital asset acquisitions of $465,000 and a reduction of $3.8 million in the amount of capital asset amortization due to carryover of capital projects and change in aggregate inventory value.

The department generated $33.8 million in revenue, which is $2.6 million above the 2005-06 budget estimate of $31.2 million. The increase was largely due to more funding recovered for additional work completed under federal cost shared programs and new reporting requirements for recording revenue from assets transferred to the General Revenue Fund for capital projects completed in the TPF.

The department's actual FTE utilization in 2005-06 was 1 382.8 as compared to the department's budget of 1 429.5. The variance of 48.4 FTEs can be related largely to an overall reduction due to vacancies in the department and decrease utilization on major surface preservation rehabilitation projects.

Progress on Multi Year Commitments

Over the last several years, the province has made several commitments to transportation. The following commitments provide the financial framework and help focus the department's strategic direction.

- Invest $2.5 billion on highway and transportation over 10 years. [Spring 1997]
  - At the end of the 2005-06 fiscal year, the ninth year of this commitment, the province has invested $2.4 billion or nearly 98 per cent of the $2.5 billion investment target. The province is on track to exceed the commitment by $293 million by the end of the tenth year.
- Twinning National Highways:
  - Highway 1 west was completed in 2003 – one year ahead of the province's accelerated schedule and five years ahead of the original schedule.
  - The department is positioned to complete Highway 1 east in 2007 – five years ahead of the original schedule.
  - The department is positioned to complete Highway 16 between North Battleford and

Lloydminster in 2007 – three years ahead of the original schedule.

The following multi-year commitments were included in the 2003-04 budget summary:

- Invest $1.2 billion over four years to continue the department's highway program. [Fall 2003]
  - By the end of the 2005-06 fiscal year, the province and the federal government will have invested in excess of $596 million towards this initiative. The province is on track to meet this commitment in 2007-08.
- Invest approximately $90 million over the next three years to upgrade 450 km of rural highways to a paved standard through the Prairie Grain Roads Program. [Fall 2003]
  - In 2003-04, the department upgraded 125 km to a paved standard. An additional 89 km in 2004-05 and 63 km were upgraded in 2005-06. In total, over the three year period, $77.9 million has been invested to upgrade 277 km of strategic corridors to support movement of commodities in the agriculture, oil and gas industries. Work will continue in the coming years to upgrade rural highways to a paved standard.
- Invest about $63 million over the next three years to preserve the 7 000 km TMS highway network. [Fall 2003]
  - The department continues to upgrade TMS highways to a paved standard, reducing the total length of TMS highways in the province. The department invested $22.9 million in 2003-04, $19.7 million in 2004-05 and another $28.4 million in 2005-06 on TMS highways. A total of $71.0 million was invested on 6 397 km of TMS highways.
- Invest approximately $220 million over the next three years to preserve the 13 400 km of paved highway network and rehabilitate more than 1 100 km of paved highways.
  - In 2003-04, the department invested $77.6 million to complete 356 km of pavement resurfacing. Another $72.7 million was invested in 2004-05 on 301 km of pavements. In 2005-06, $76.0 was invested on 313 km of pavements. In total, $226.3 million has been invested to improve 959 km of the current 14 100 km paved highway network.

2005-06 Performance Results

The following section provides detailed information on the progress made towards meeting the department's long-term objectives.

The accountability framework, through key actions, performance measures and regular reporting allows the department to focus on making key recommendations and decisions that set a clear direction for the future of the provincial transportation system. Annual performance results are used to assess overall progress towards goals and objectives each year and to inform or adjust future plans and actions. Regular reporting allows the department to consistently examine its performance against planned accomplishments and determine the impacts on program delivery. This in turn allows the department to make necessary changes to resource allocations in order to mitigate risk factors directly and indirectly within its control.

Each year, the department faces several major risks beyond its control that affect the amount and type of work that is done in a given year. In 2005-06, inflation had a major impact on construction and maintenance related costs. This reduced the department's purchasing power and had a negative effect on the amount of work that could be completed. Weather is another risk that influences departmental activities and expenditures. In 2005-06, parts of the province experienced flooding that damaged infrastructure, wet weather hampered construction, and ice and heavy snow in the winter increased winter maintenance costs.

The department monitored expenditures related to flood damage in the spring, delivery of major rehabilitation and enhancement projects (i.e., twinning and rural highway upgrades) during the summer and snow and ice control events during the winter on a monthly basis. The information was

used in conjunction with project cost estimate updates to determine the amount of flexibility within the budget to manage inflation. Resources were reallocated where possible and additional funding was requested to address unexpected weather events. Decisions were made in the context of meeting publicly announced commitments and published planned accomplishments.

The department utilizes a fixed strategic planning and reporting process that provides better awareness of the impacts decisions have on reaching performance targets and delivering on key actions. In 2006-07, the department will implement a risk management framework to systematically address risks that could have an impact on its ability to achieve its goals and objectives.

The key actions and measures originally published in the 2005-06 Performance Plan are listed hereafter, followed by actual results information.

More information about the department's performance measures is included in the 2005-06 plan, which is available at: www.highways.gov.sk.ca/docs/reports_manuals/reports/pp_05.pdf.

Goal 1 - A Sustainable Transportation Infrastructure

Objective 1 – Preserved principal highway network to meet the future economic needs of the province

Recognition that Saskatchewan's economy and landscape are changing is fundamental to a sustainable transportation infrastructure. Increasing north-south trade, developing trade corridors, a diversifying economy, and increasing truck haul are affecting the way the principal system is being used now and into the future. Ensuring the department can adequately preserve and improve the principal highway network to handle anticipated traffic levels will allow the provincial transportation system to meet future economic needs.

The department is making progress towards this objective. Over the last three years, the principal highway system has been defined and 649 km of the principal highway system were resurfaced.

Key Results

- Invest $3.1 million for intersection improvements on Highway 11 near Rosthern. [2005-06 planned result]
  - Invested $3.4 million on Rosthern intersection improvements. The project is complete except for some minor clean up work to be completed in 2006. Expenditures are higher than the original estimate due to increased costs for tender award, aggregate haul and contractor mobilization.
- Strengthen five drainage structures on principal highway network. [2005-06 planned result]
  - Replaced two bridges at a cost of $0.2 million and strengthened three bridges at a cost of $2.3 million. The department also completed Phase 2 strengthening of the Battlefords Bridge at a cost of $1.9 million. The next phase will be completed in 2006-07.
  - Construction delays and cost overruns required one project at Teo Lake to be deferred.
- Resurface 269 km of the principal highway system. [2005-06 planned result]
  - Completed 181 km of resurfacing on the principal highway system at a cost of $21.5 million.
  - Due to the redefinition of the principal and regional highway systems in 2004-05, the data system changes had not occurred prior to developing key actions. A total of 313 km out of 333 km on both principal and regional highway systems was resurfaced. The planned result was not achieved due to inclement weather that limited contractor progress and is carried over to 2006-07.

- Pursue partnership opportunities with municipalities and private individuals to operate current rest stops. [2005-06 planned result]

  ↳ No new partnerships were established in 2005-06. The department will continue to pursue partnership opportunities as they arise for the operation of current rest stops.

- Replace/repair 33 bridges/drainage structures on the principal highway network. [2005-06 planned result]

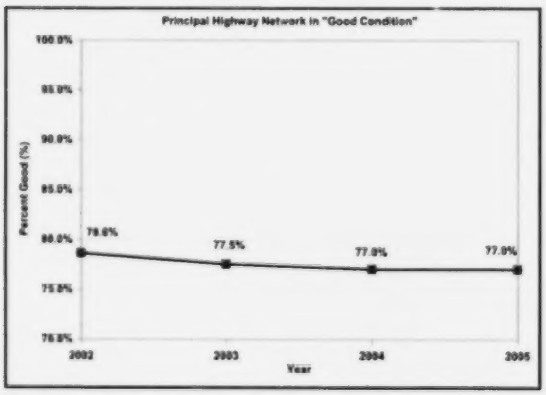
  ↳ Repaired 16 bridges on the principal highway system at a cost of $0.2 million. At the time of setting the key action, the number of repairs was estimated. Crew activity was prioritized throughout the year for capital replacements or rehabilitations resulting in fewer repairs.

- Inspect and rate 53 major bridges and 66 minor bridges on the principal highway system. [2005-06 planned result]

  ↳ Inspected 59 major bridges and 17 minor bridges on the principal highway system.

Measurement Results

Per cent of the principal highway network in "good" condition.



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System

This measure provides an indication of how the department is managing the principal highway network by measuring surface conditions, which provide a surrogate measure of how the road user perceives highway conditions.

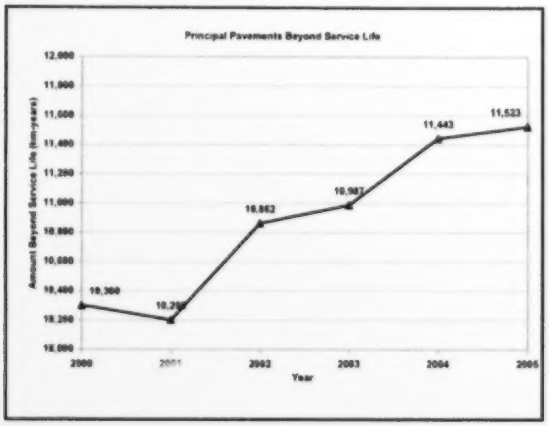
The department uses a combined measurement of the road's rutting and ride to determine if a pavement is in "good" condition. To measure ride quality, a device is used that generates a measurement of smoothness based on an international standard called the International Roughness Index (IRI). Another device that continually measures rut depth is used to evaluate rutting. The measurements are analyzed using the processes defined in the department's Asset Management System. A road must have good comfortable ride with minimal ponded water in the wheel paths to be classified as "good."

In 2004-05, the department redefined the principal system at 5 000 km resulting in 2 000 km of lower volume roads transferring to the regional system. This measure and the methodology used to rate the overall condition of the network are under review for 2006-07, so previous years' results have not been recalculated to reflect the new definition of the principal system. The review was prompted by changes in data collection techniques over time, the utilization and change internally to the asset management process, and interpretation issues for the data on a provincial basis. The department may introduce new methodology and/or additional measures in the future to improve progress reporting.

Factors like contractor progress, fluctuating input costs, and the length of the construction season are outside of the department's control, but influence the results of this measure.

In 2005-06, department crews worked more than 15 600 hours to seal 1 298 200 m^2 of principal pavements and repair failures to more than 260 000 m^2 of principal pavements.

Amount of principal pavements beyond their service life.



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System

This measure provides an overall picture of the extent to which the useful life expectancy is being exceeded on the principal system. Improving the condition of the principal highway network will continue to be the primary focus of the department's strategic plan. Funding for pavement preservation has increased over the last few years to achieve this objective. However, inflationary pressures such as increased costs of asphalt, fuel, labour, and equipment, and the depletion of good gravel deposits, have decreased the department's purchasing power, and reduced the amount of preservation activity that can be completed in a given year. The trend toward increased truck traffic, while necessary to support a growing export-based economy, accelerates the consumption of infrastructure assets, and makes it more difficult to improve paved highway conditions.

In an ideal world, there would be no pavements beyond their service life. Service life is based on the original engineering standards of a pavement and a regular maintenance program. The decision to resurface a highway is driven by surface condition, not pavement age. Prudent infrastructure management means there will always be some pavements beyond their service life if material characteristics, environmental conditions and traffic patterns allow a pavement to perform better than expected.

Decreasing the amount of principal pavements beyond their service life demonstrates progress in reducing the risk of pavement failure on the principal highway system resulting in greater system efficiencies, increased public safety and enhanced contribution by the transportation network towards social and economic development opportunities for the province.

The length of each road segment that is beyond its service life is measured in kilometres and then multiplied by the number of years that it is beyond its service life, to provide a measurement in km-years.

Preventative maintenance and timely rehabilitation are the two critical aspects in the effective life cycle management of a paved highway system. Pavements are designed to last for 15 years before significant rehabilitation is required, but effective preventative maintenance can extend pavement service life to 20 or 25 years. Effective pavement life cycle management strives to rehabilitate pavements once every 20 to 25 years. However, pavements are subject to highly variable environmental conditions and changing traffic patterns. It is common for some pavements with relatively little truck traffic to last longer than 25 years and other pavements with significant truck traffic to last less than 25 years. The extent and severity of surface distresses like rutting, roughness and surface failures, not pavement age, dictate the timing of major pavement rehabilitation. An old pavement that is relatively smooth with little rutting and few surface failures would not be rehabilitated ahead of a newer pavement that had deep rutting, is very rough and has a large number of surface failures.

Objective 2 – Transformed regional transportation network to meet the future needs of rural Saskatchewan

The regional transportation network provides local access and collects traffic for the principal network. Changing traffic patterns caused by trends such as rural depopulation, grain elevator closures, increased activity in resource extraction in the oil and gas sector, branch line abandonment, and increased truck haul are affecting the way the regional transportation system is being used today

and will be used into the future. To be sustainable in the long-term, the regional network needs to be transformed to reflect a balance between road standards in the network, maintaining the roads in good condition and available funding levels.

The department has made significant progress toward achieving this objective. Over the last five years nearly 960 km of thin membrane surface (TMS) highways have been converted to a paved standard. The department is delivering 35 initiatives with 57 partners to manage traffic on 735 km of TMS highways and improved the percentage of TMS and gravel highways in good condition.

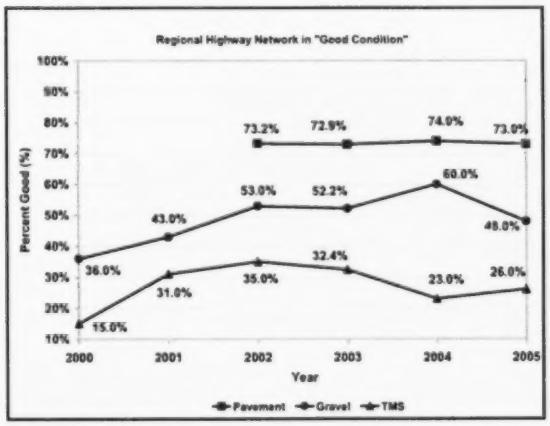
Key Results

- Replace 22 bridges/drainage structures on the regional highway network. [2005-06 planned result]
  - Replaced 14 bridges at a cost of $4.4 million. Federal Fisheries and Oceans regulatory issues delayed three projects. Budgetary constraints due to inflation resulted in the deferral of five projects.
- Inspect and rate 37 major bridges and 264 minor bridges on the regional highway system. [2005-06 planned result]
  - Inspected 39 major bridges and 111 minor bridges on the regional system. Staff vacancies affected the department's ability to complete all of the planned inspections.
- Replace the ferry towers at the Paynton, Wingard, and Estuary ferry crossings. [2005-06 planned result]
  - Completed ferry towers replacement at the Paynton, Wingard, and Estuary crossings in the 2004-05 construction season. Designs are complete for replacement of the St. Laurent and Lancer towers in 2006-07.
- Repair 60 drainage structures on the regional highway network. [2005-06 planned result]
  - Repaired 52 bridges on the regional highway network. Variation from the planned accomplishments is due to prioritization of crews for capital replacements and rehabilitations.
- Through the federal-provincial Prairie Grain Roads Program (PGRP) contract for the completion of upgrading on 117 km to a paved standard. [2005-06 planned result]
  - TMS highways upgrades to a paved standard were completed on 63 km at a cost of $18.6 million. An additional 47 km of TMS are carried over to 2006-07 at an estimated cost of $8.2 million. In addition, eight kilometres of originally planned work has increased to 13 km and is scheduled for completion in 2007. Wet weather and contractor scheduling impacted project progress.
- Continue implementation of the DHT partnership agreement with Pavement Scientific International (PSI) to reconstruct 100 km of TMS highways using "Made in Saskatchewan" road strengthening technology. [2005-06 planned result]
  - Strengthened 56 km of rural highways. The accomplished length is less as a result of project scope changes.
- Deliver commitments on five construction partnership initiatives to improve 24 km of TMS highways. [2005-06 planned result]
  - TMS improvements were completed on four partnership initiatives for a total length of 33 km at a cost of $5.1 million. More work was completed than originally planned as a result of increased project lengths on two projects.
- Resurface 64 km on the regional highway network. [2005-06 planned result]
  - Completed 132 km of resurfacing on the regional highway network at a cost of $18.3 million. Due to the redefinition of the principal and regional highway systems in 2004-05, data system changes had not occurred prior to developing the key actions. A total of 313 km out of 333 km on both principal and regional highway systems was resurfaced. The planned result was not achieved due to inclement

weather that limited contractor progress schedule and is carried over to 2006-07.

Measurement Results

Per cent of regional highway network in "good" condition by surface type: Pavement, Thin Membrane Surface (TMS) and Gravel.



Data Source: Department of Highways and Transportation Asset Management System and Highway Inventory System.

By measuring the percentage of the network in "good" condition, the department will show progress towards the desired result of sustaining or improving the surface condition of the regional highway network under changing environmental, traffic and funding patterns. It also assists the department in monitoring the effectiveness of the its Asset Management System and pavement preservation practices in maintaining road surface conditions.

Pavements

For a detailed description of how data is collected for this measure, see the explanation under the measure of per cent of principal highway network in good condition on Page 11.

Pavement preservation funding has increased over the last few years to sustain the regional paved highway network, which is a key element of the department's strategic plan. However, inflationary pressures such as increased costs of asphalt, fuel, labour, and equipment, and the depletion of good gravel deposits, have decreased the department's purchasing power, and reduced the amount of preservation activity that can be completed in a given year. The trend toward increased truck traffic, while necessary to support a growing, export-based economy, accelerates the consumption of infrastructure assets, and makes it more difficult to improve paved highway conditions.

This measure and the methodology used to rate the overall condition of the network are under review for 2006-07, so previous years' results have not been recalculated to reflect the new definition of the principal system. The review was prompted by changes in data collection techniques over time, the utilization and change internally to the asset management process, and interpretation issues for the data on a provincial basis. The department may introduce new methodology and/or additional measures in the future to better address this objective.

TMS

To determine if a TMS is in "good" condition, the department uses a measure of the road's ride. To measure ride quality, a device is used that generates a measurement of smoothness based on an international standard called the International Roughness Index (IRI). Data is collected during the summer or fall of each year.

In 2005-06, 26 per cent of the TMS highways on the regional system were in "good" condition. The department was able to make some progress (three per cent) in improving the condition of TMS highways. These highways are very susceptible to environmental conditions and changing traffic patterns and the results can vary from year to year. Between April 5, 2005 and July 11, 2005, department crews worked 54 894 hours, sprayed 3.2 million litres of asphalt, placed 12 700 tonnes of cold mix and completed 1.8 million m^2 of seal coat patching to repair spring TMS road damage. There has been a reduction of 133 km in the TMS network from 2004-05. When a TMS highway is rebuilt, it is taken out of the TMS system and changed to a granular highway. Inflationary pressures related to increasing costs of asphalt, fuel, labour and equipment decreases the department's purchasing power and reduces the amount of TMS surface preservation that can be completed in a given year.

Gravel

To determine if a gravel road is in "good" condition the department uses its Asset Management System condition ratings for stability (strength of road bed) and protruding rock (amount of large rocks protruding from the roadbed). In order to be a "good" gravel road it must have a "good" rating in both of these field measurements. The road users would drive on a hard gravel road surface with few rocks protruding from the roadbed.

In 2005-06, 48 per cent of the gravel highways on the regional system were in "good" condition. Gravel highways are very susceptible to environmental conditions and changing traffic patterns resulting in variations from year to year. There is a significant reduction (12 per cent) that will continue to be monitored in the future. Inflationary pressures related to increasing costs of fuel, labour, and equipment decrease the department's purchasing power and reduce the amount of gravel surface preservation that can be completed in a given year.

Objective 3 – Reduced damage on the highway system caused by overweight vehicles

The combination of grain elevator closures, rail line abandonment, changing international trade flow patterns, national and regional initiatives, urbanization, and local economic opportunities arising from industries including oil and gas, value-added agriculture, manufacturing, mining and tourism increase truck volumes on Saskatchewan roads.

The trend towards more cost-effective truck configurations leads to larger vehicle dimensions and increased truck weights. While this increases transportation efficiency, it also accelerates road damage.

Changes in Saskatchewan's commercial trucking profile have long-term implications for the principal highway system. These major routes are designed to accommodate significant volumes of heavily loaded trucks. However, they are deteriorating due to the increased tonnage now being hauled. On the regional highway network, increased truck traffic has had a significant effect. Many regional roads are TMS construction and were not designed to accommodate high volumes of heavily loaded trucks.

Decreasing the number of overweight vehicles will reduce road damage and help the department sustain the road network. One of the primary strategies for reducing the number of overweight vehicles is to increase compliance with provincial vehicle weight and dimension regulations through enhanced weight enforcement activities.

The department has made progress towards meeting this objective. In addition to on-road enforcement and operation of existing weigh scale facilities, Transport Compliance continued to introduce new programs to reduce road damage including joint weight monitoring agreements with industry and the continuation of monitoring consignor/consignor agents under shipper liability legislation.

In order for the department to be responsive to industry needs with regard to key economic corridors, it is moving forward with a Primary Weights Initiative that will allow for a diversified weight regime.

Key Results

- Through a partnership with International Road Dynamics, The University of Saskatchewan, Constance Consulting and Transport Canada develop the remote operation of weigh scales (ROWS) to increase the monitoring of commercial vehicle operations.
  [2005-06 planned result]

  ↳ Macklin in west central Saskatchewan was chosen as the site for the RCWS. Both Saskatchewan and Alberta submitted a proposal to Transport Canada in March 2006 to cost share on this project. The department is currently awaiting Transport Canada approval for cost sharing.

- Develop three Remote Vehicle Weigh Stations in partnership with Transport Canada at Weyburn, Carlyle and Prince Albert to monitor the level of compliance at strategic locations on the network and to identify non-compliant

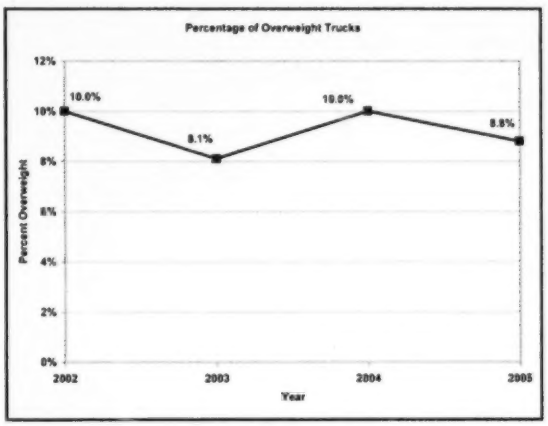
carriers to target weight audits. [2005-06 planned result]

- All three sites were constructed and put into operation by year end. Operational training was provided and program processes and procedures continue to be developed, with one module remaining to be supplied in 2006-07. This will not limit the use of the system but enhances efficiency.
- The project received an extension from Transport Canada (to September 2006) to provide an opportunity to obtain and analyze an appropriate amount of data.

- Prepare a communications strategy to enhance compliance activities with the shipping and carrier community. [2005-06 planned result]
  - 187 training and education sessions were completed. Staff continued to work with stakeholders including carriers, local government and industry associations through individualized training sessions, career fairs and Spring Expos informing stakeholders regarding regulations and policies.
- Implement weight enforcement focused blitzes on regional highways in areas with significant truck traffic. [2005-06 planned result]
  - Transport Compliance Branch conducted 45 weight enforcement blitzes. A total of 3 226 commercial vehicles were inspected.
- Monitor consignor and/or consignor agents accused of forcing carriers to operate overweight. [2005-06 planned result]
  - Transport Compliance Branch completed three investigations resulting in seven charges laid against consignor or consignor agents. The legislation and potential for prosecution have encouraged some shippers to cooperate and/or enter into compliance agreements with Transport Compliance Branch, which has enhanced the branch's ability to investigate and promote weight compliance.

Measurement Results

Per cent of the overweight trucks on the highway system



Data Source: Department of Highways and Transportation - Transport Compliance Branch

Truck traffic continues to increase on the highway system. A certain percentage of these trucks will be overweight and cause more damage to the highway system. This performance measure allows the department to monitor the effectiveness of its policies and enforcement actions in reducing the number of overweight vehicles.

A random sampling process has been developed to monitor the per cent of overweight vehicles. The performance measure is calculated by dividing the number of overweight vehicles identified at random inspections by the number of total vehicles inspected during the same random inspections. While this does not provide a statistically valid representation for the entire province, it will allow progress to be monitored in a cost effective manner.

In 2005-06, 8.8 per cent of the trucks on the provincial highway system were overweight. This is a 1.8 percentage points decrease from the 2004-05 results and suggests the department's compliance initiatives are reducing the amount of overweight vehicles. Variances of one or two per cent in any given year are still indications of a strong enforcement presence. However, with only four years of data, it is difficult to determine if the recent

decrease is part of a long-term trend or caused by inherent variability in the random sampling process.

The department has a high level of influence over this performance measure. It can increase its weight compliance activities by increasing transport compliance resources, combined with shipper liability legislation. An increased weight compliance presence on the provincial highway system should decrease the amount of overweight vehicles because there is a higher chance overweight carriers will be caught. Transport Compliance Branch continues to develop strategies that, over the long term, will decrease the non-compliance rate. Strategies include a balance between weight, dimension, safety, registration, licensing, enforcement, and education efforts.

Objective 4 – Increased funding from additional sources

To achieve long-term sustainability, additional funding is required to close the shortfall between transportation system needs and available resources. Saskatchewan recognizes the importance of a National Highway System that provides for efficient inter-provincial and international movement of commodities and supports Canada's economic growth, social development and national unity.

While road transportation is a provincial responsibility, the province feels that the federal government has an obligation to participate in the costs of preserving and upgrading the National Highway System. Additional funding from the federal government and industry partners will help achieve long-term transportation system sustainability.

The department has made significant progress at meeting this objective. Since 2000, four transportation infrastructure agreements have been negotiated with the federal government resulting in a $161 million federal investment on the provincial highway system between 2001-02 and 2007-08. The Transportation Partnership Program has been used to generate revenue for transportation infrastructure improvements and the department has managed its administrative costs to maximize "on road" investment.

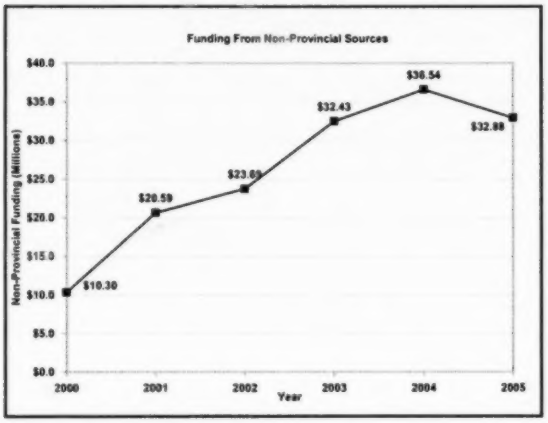
Key Results

- Promote the Transportation Partnership Program with those companies that would substantially benefit from participation in the program. [2005-06 planned result]
  - ↳ DHT entered into 87 new Transportation Partnership Program agreements.
- Continue cost sharing with the federal government on the Prairie Grain Roads Program (PGRP), Strategic Highway Infrastructure Program (SHIP), Canada Strategic Infrastructure Fund (CSIF), and Border Infrastructure Fund (BIF) to upgrade rural highways, accelerate twinning on Highways 1 and 16, and provide secure flow of goods and people with our United States trading partner. [2005-06 planned result]
  - ↳ Actual revenue for 2005-06 was PGRP $9.65 million, SHIP $0.42 million, CSIF $17.84 million, and BIF $1.72 million for a total of $29.63 million.
- Complete $1.2 million of road improvements through industry partnerships. [2005-06 planned result]
  - ↳ Invested $1.1 million on three projects.
    - o Highway 47 - Completed grading and paving on 5 km north of U.S. border to south of Estevan at a cost of $0.4 million. There will be $0.1 million carried over on this project to repair differential settlement.
    - o Highway 102 – Completed subgrade stabilization south to north of Island Creek at a cost of $0.3 million. There will be $0.4 million carryover and a $0.2 million cost increase over the estimate.
    - o Highway 155 – Completed 15 km from 5 km south of Beaver River to 6 km south of Waterhen River at a cost of $0.4 million.
- Fund $1.6 million of highway and/or safety improvements through funds deposited into the Transportation Partnerships Fund (TPF). [2005-06 planned result]

- Total TPF expenditures were $1.9 million. The initial estimate was exceeded because there was carryover of previous year's projects and extensive work done by Cameco/Cogema.

Measurement Results

Additional funding from non-provincial government sources



Data Source: Department of Highways and Transportation – Corporate Support Branch

The amount of funding obtained from non-provincial sources is an indictor of the department's success in pursuing additional funding for transportation infrastructure investment from industry partnerships, the Transportation Partnerships Fund, and the federal government.

In 2005-06, $32.88 million of transportation infrastructure investment was obtained from sources other than the provincial government. This is $3.66 million less than the funding obtained in 2004-05. Revenues were affected by poor weather conditions that slowed contractor progress.

In spite of the decrease in 2005-06, revenues are still well above 2001 levels. This is a result of the federal-provincial agreement to accelerate twinning on Highway 1 and Highway 16, which generated additional federal transportation investment from the Strategic Highway Infrastructure Program and the Canada Strategic Infrastructure Fund. Additional federal revenue was provided through the Border Infrastructure Fund, Airport Capital Assistance Program and National Safety Code programs, as well as through industry partnership agreements and the Transportation Partnerships Fund.

The funding from federal cost shared programs will begin to decrease in future years as twinning and rural highway upgrades are completed. Federal revenue may drop significantly until new cost shared programs are negotiated.

The department can influence the level of non-provincial funding by actively pursuing federal infrastructure funding partnerships as well as developing and managing initiatives through the Transportation Partnerships Fund.

Ratio of road operations to overhead

Data Source: Department of Highways and Transportation Corporate Support Branch – Year End Expenditures

This performance measure is an indicator of the department's success at creating and maintaining internal administrative efficiencies. Better internal efficiency ensures that the highest possible percentage of funding, including any increased funding from additional sources, goes directly to operation, preservation and construction of the transportation system. The department continues to manage administrative costs by absorbing pressures throughout the year.

In 2005-06, the ratio of road operations to overhead was 7.37:1, a slight increase compared to 2004-05. The department has influence over this performance

measure because it is responsible for managing its administration and administration costs relative to the entire budget. The ratio will remain at similar levels in future years as the majority of any increases in the department's budget are allotted to preservation and capital programs to meet the changing demands for improvements to transportation infrastructure.

This measure is under review for 2006-07. The department is looking for other possible benchmarks and different ways of reporting administrative ratios.

Goal 2 - The Transportation System Strengthens Economic Development and Serves Social Needs

Objective 1 – Reduced cost of moving goods and people by road, rail and air

Effective transportation systems provide competitive transportation options for Saskatchewan producers and shippers and provide adequate mobility for travellers. Providing an efficient transportation system will contribute to reducing the costs of moving goods and people.

The department continues to make progress on this objective by evaluating and responding to federal legislative changes, monitoring the grain transportation system, working with other jurisdictions on vehicle weight and dimension regulations, and increasing the availability of primary weights on the principal highway system.

Key Results

- Provide advice and develop positions that represent Saskatchewan transportation interests at federal/provincial transportation forums and interdepartmental committees. [2005-06 planned result]

  - The department played an important role, through its participation in developing significant reports that support the critical importance of transportation and infrastructure investment. This resulted in increased attention for transportation issues over the past year at a national and regional level. Initiatives included:

    - The Western Transportation Ministers Report of March 2005 which identified $15 billion of transportation investment requirements for western Canada and was supported at the August 2005 Council of the Federation.
    - The September 2005 announced National Highway System Expansion to 38 000 km made by the provincial and national Ministers responsible for Transportation.
    - The December 2005 Premiers' Council of the Federation Report which called upon the federal government to commit to a new national transportation investment strategy.
    - The Asia-Pacific Gateway and Corridor Strategy will receive $591 million over eight years, primarily for infrastructure improvements. Saskatchewan is confident that a significant project will be developed in the province.
    - Continued work towards new and innovative federal infrastructure programs including proposals to address the "fiscal imbalance" and the introduction of a new framework for long-term funding support for infrastructure programs.

- The department intends to establish a Memorandum of Understanding with Saskatchewan Government Insurance which will outline the steps towards achieving the goals set out in Transport Canada's Road Safety Vision 2010. [2005-06 planned result]

  - Discussions are continuing and a Memorandum of Agreement is anticipated to be signed in 2006-07 with Saskatchewan Government Insurance regarding a key departmental contact.

- Work with industry to develop safer, road friendly and more efficient new generation trucks to increase revenue through the Transportation Partnership Program (TPP) for road system improvements. [2005-06 planned result]

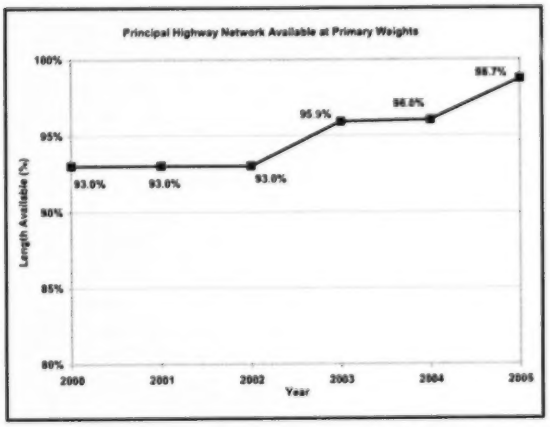
  - Facilitated the introduction of tri-drive trucks into oilfield service resulting in increased industry efficiency and reduced road damage.

- Enhance economic development of the province by generating $1 million in freight cost savings for partner trucking companies over three years through negotiating new trucking agreements. [2005-06 planned result]

  - Transportation savings achieved by industry through participation in the Transportation Partnership Program is estimated to be $1.3 million.

Measurement Results

Per cent of the principal highway network available at primary weights on an annual basis



Data Source: Department of Highways and Transportation

Primary weights are the maximum vehicle weights allowed on principal highways without a permit. The allowable vehicle weight is based on the structural capacity of the highway. Increasing the length and time that the principal highway network is available at primary weights increases the efficiency and productivity of all freight moved on the principal system. This performance measure is calculated as follows:

$$\text{Length Available } (\%) = \frac{\sum \text{Length of Principal Highway Segment} \times \text{Days Available at Primary Weights}}{\text{Length of Principal Highway Network} \times 365} \times 100$$

The principal system was available 98.7 per cent of the time in 2005-06. This result is based on the redefined 5 000 km system, but results for past years are based on the 7 000 km system. When the principal system was redefined in 2004-05, 2 000 km of lower volume roads were transferred to the regional system. The increase in 2003 was due to a departmental policy change that eliminated a 10-month primary weight restriction. These highways are now available at primary weights all year round, increasing transportation efficiency for Saskatchewan carriers and shippers. Part of the increase in 2005-06 can also be attributed to new sections of twinned highway being opened to traffic.

The department can influence this performance measure by changing policy and regulations that govern the weight regime on the provincial highway system or by increasing a road's structural capacity. Extending the primary weight system increases transportation efficiency, but also accelerates infrastructure deterioration and increases preservation requirements. A balance is required to ensure that the transportation network is sustainable and provides efficiency.

This measure is under review for 2006-07 due to the effects that policy changes such as the redefinition of the principal system have had to performance results.

Value of economic development generated by the department's trucking programs.

This measure gauges the benefit to the provincial economy of trucking partnership agreements, which increase transportation efficiency for carriers and shippers participating in the Transportation Partnership Program (TPP). Increased efficiency reduces trucking costs and makes Saskatchewan companies more competitive in the global marketplace.

The measure quantifies the savings in freight cost for partners in the trucking programs, which reduces their input costs and allows them to be more competitive. The baseline, which is $60 million, and methodology for this measure were documented in a July 2000 study of the TPP. In 2003-04, the department reviewed the benefits of the program and found the benefits to be $69 million annually. Data for 2005-06 is not available. The department is reviewing the reporting frequency of this measure.

The department influences this performance measure because it develops the weight regime and policy framework for the TPP and markets the TPP to potential participants. If the policy framework is compatible with the needs of Saskatchewan shippers and carriers, more trucking partnerships can be developed increasing the amount of savings for our partners.

Objective 2 – Targeted infrastructure investment for economic growth and social utility

Transportation infrastructure investment needs to be strategically targeted to ensure it makes a maximum contribution to the province's overall economic and social well-being. The department maintains a focus on developing strategic corridors that will support current and future traffic patterns.

The department is making significant progress on this objective: completed the twinning of Highway 1 between Regina and the Alberta border; accelerated twinning on Highway 16 between North Battleford and Lloydminister and Highway 1 east; focused investment on corridor development; and investing in infrastructure to accommodate increased haul in the provincial forestry industry.

Key Results

- Complete road improvements in Buffalo Pound and Douglas Provincial Parks and Elbow Harbour Recreation Site. [2005-06 planned result]
  - Completed road improvements in Buffalo Pound and Douglas Provincial Parks and the Elbow Harbour Recreational Site at a cost of $250,000.
- Through SHIP and CSIF cost share programs, invest $31.9 million to twin Highway 1 east and Highway 16 west by completing 40 km of grading, completing construction of the railway overpasses west of Broadview and opening 57 km of twinned highway. [2005-06 planned result]
  - The department invested $40.3 million through SHIP and CSIF on Highway 1 east and Highway 16 west.
    - Completed 55 km of grading on Highway 1 east and Highway 16 west.
    - Paved nearly 14 km on Highway 16 west opening the section to traffic on June 28, 2005.
    - Completed 31 km of surfacing on Highway 1 east, which was opened to traffic on October 24, 2005, including the two railway overpasses west of Broadview.
  - Money was reallocated to twinning and more grading work was completed than originally planned, due to slow contractor progress on PGRP as a result of poor weather conditions. The remaining 13 km will be surfaced and opened to the public in 2006-07.
- Deliver 57 km of road improvements under Roads Transportation Agreements with Weyerhaeuser. [2005-06 planned result]
  - Completed 28 km of road improvements at a cost of $3.2 million under the Road Transportation Agreement with Weyerhaeuser. Wet conditions in 2005-06 delayed the planned construction schedule. Completion of the remaining 29 km is anticipated in 2006-07.
- Complete upgrading five TMS corridors to a paved standard. [2005-06 planned result]
  - Completed upgrading four corridors to a paved standard. Completion of the fifth corridor has been carried over to 2006 due to start date delays in the planned construction schedule caused by poor weather conditions.

- Continue an enhanced Centennial tourism signing program, providing cost-shared funding up to $100,000 with tourist operators for signs that promote provincially designated tourist facilities. [2005-06 planned result]

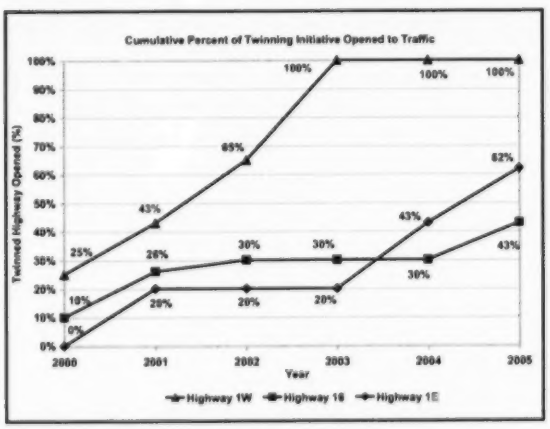
  - The department share of partnership funds expended was $124,000. Demands for the program were greater than anticipated due to the fact that this was the last year of funding for the Centennial signing initiative. The department was able to devote $24,000 more than the original estimate by drawing funds from other signing initiatives.

- $25,000 will be provided for placing Centennial celebration logo tabs at seven major border crossings and at major capital projects. [2005-06 planned result]

  - Seven centennial celebration logo signs were placed at major border crossings. Also, centennial logo tabs were installed at 15 major construction projects at a cost of $8,000. The original estimated cost was based on a proposal from an external agency. The final program expenditures are a result of implementing a more cost effective program.

Measurement Results

Cumulative per cent of twinned highway opened to traffic.



Data Source: Highways and Transportation – Highway Inventory System

The cumulative percentage of twinned highway opened to traffic is an indicator of progress in delivering our twinning commitments. When a portion of twinning for a corridor opens to traffic, it contributes to the cumulative percentage opened for that corridor. The performance measure is calculated by dividing the cumulative length opened for traffic for each corridor by the length to be completed for each corridor. When the twinning on a corridor is completed, its cumulative percentage opened to traffic is 100 per cent.

In 1997, the Province committed to complete twinning Highway 1 and Highway 16 between North Battleford and Lloydminister on these specific timelines:

- Highway 1 west (108 km) complete in 2008;
- Highway 16 west (103 km) complete in 2010; and
- Highway 1 east (168 km) complete in 2012.

In 2001-02, the Province committed to accelerate twinning Highway 1 west so it would be completed in 2004. On March 5, 2003 the Province and federal government announced a funding partnership that would complete twinning as follows:

- Highway 1 west in 2003 (now completed);
- Highway 16 between North Battleford and Lloydminister in 2007; and
- Highway 1 east in 2007.

For 2005-06:

- 14 km of surfacing were completed on Highway 16 west resulting in 43 per cent of Highway 16 between North Battleford and Lloydminster being opened to traffic. Slow contractor progress on the Maidstone Bypass due to poor weather caused a delay in opening this section of Highway 16.
- 31 km of surfacing were completed on Highway 1 east from west of Broadview, including surfacing of the Broadview overpasses, to west of Whitewood, resulting in 62 per cent being opened to traffic.

The department has a high level of influence over this performance measure because it is responsible to develop a schedule, which will complete the twinning within the identified time frame. Weather and contractor progress can influence performance results in any given year.

Objective 3 – Improved connections in the North

Unlike southern Saskatchewan, there is generally only one route to connect northern communities and provide access to health, education and social services. Providing basic mobility in remote northern areas is critical to supporting northern social and economic development.

The department is working to enhance the mobility of northern residents by improving northern community access roads and is committed to increasing the capacity of northern residents to participate in the delivery of transportation services.

The department is making progress towards this objective by increasing the cumulative per cent of northern community access roads improved and the amount of transportation work contracted to northern communities/contractors.

Key Results

- Invest over $25 million to preserve, operate and improve provincial highways, bridges and airports in Northern Saskatchewan. [2005-06 planned result]
  - Expenditures exceeded $32 million due to culvert failures, additional routine maintenance on the gravel system as a result of wet weather, additional resurfacing completed on Highway 2 (TPF partnership), and increased winter maintenance expenditures.
- Complete 700 hectares of brush clearing on northern highways. [2005-06 planned result]
  - Completed 380 hectares of brush clearing. The target was not met due to reallocation of funding to other priorities such as surface repairs.
- Complete 1 000 km of dust treatment on northern highways. [2005-06 planned result]
  - Completed 1 164 km of dust treatment at a cost of $817,000. The target was exceeded because there was increased demand for dust treatment. The actual amount of dust treatment completed is influenced by surface conditions and demands, tender prices, and contractor progress.
- Operate and maintain northern seasonal roads, including: 283 km of seasonal road and 131 km of ice roads in northern Saskatchewan. [2005-06 planned result]
  - In 2005-06, the department operated and maintained 283 km of northern seasonal roads at a cost of $1.1 million and 171 km of ice roads at a cost of $440,000. Included are the Athabasca and Cumberland House seasonal roads, Stony Rapids to Fond-du-lac overland and ice roads, Uranium City ice road and the Wollaston Lake ice road.
  - The 40 km increase in the length of ice roads maintained is a result of inventory changes throughout the year. The gravel highway system was reduced by a corresponding amount.
- Continue upgrading 13 km of access roads to communities in northern Saskatchewan (Pelican Narrows, Dillon, and Lake Athabasca communities). [2005-06 planned result]
  - Completed upgrading 25 km of access roads.
- Operate and maintain 18 northern airports and the Wollaston Barge. [2005-06 planned result]
  - In addition to operating and maintaining 18 northern airports, beacon poles were replaced at Meadow Lake and Pinehouse Lake.
  - The two year drainage improvement project at Stony Rapids airport was completed in July 2005.
  - Work began on an Airport Capital Assistance Program (ACAP) application for federal funding to rehabilitate the airfield

lighting systems and surfacing at Stony Rapids airport.

- Complete 30 km of highway improvements in the Northern Administrative District. [2005-06 planned result]

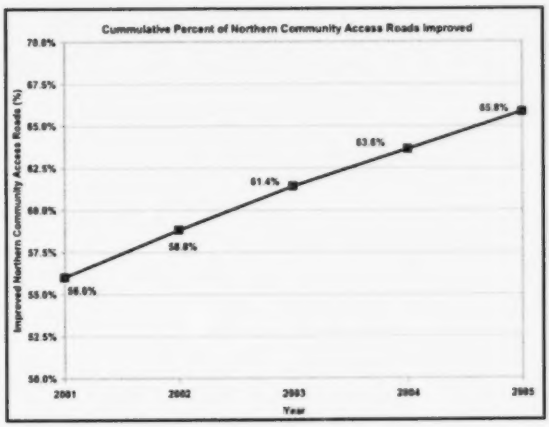
  ↳ In 2005-06 the department completed 31 km of highway improvements in the Northern Administrative District at a cost of $2.0 million.

- Complete 13 km of highway improvements of northern community access roads. [2005-06 planned result]

  ↳ The department completed 25 km of improvements to northern community access roads. This included 20 km of spot improvements on the Athabasca Seasonal Road and five kilometres of surface stabilization on Highway 155 to Dillon.

Measurement Results

Cumulative per cent of improved northern community access roads



Data Source: Highways and Transportation – Highway Inventory System and Northern Region

A northern community access road is defined as any road that provides access to a northern community regardless of the road's length. Improvements include roads that are rehabilitated or upgraded. In 2001 the department identified 1 130 km of northern provincial highways as northern community access roads.

As of 2005-06, 65.8 per cent of northern community access roads have been improved. This is 2.2 percentage points higher than in 2004-05. This improvement is a direct result of the department upgrading 25 km of access roads to Pelican Narrows, Dillon, and Lake Athabasca communities.

It is expected that the percentage of community access roads improved will continue to increase in the coming years as the department implements the Northern Economic Infrastructure Strategy.

The department has a high level of influence over this performance measure because it is responsible to develop a capital investment program that supports its goals and objectives within the overall budget. Weather and contractor progress can influence performance results in any given year.

Goal 3 - Safe Movement of People and Goods

Objective 1 – Reduced collisions on the road

Safe movement of people and goods is a fundamental expectation of transportation system users. It is also a continual focus of the department in its design, operation, construction and maintenance activities. Through this focus on safety, the department strives to reduce the number and severity of collisions.

The department is making progress on this objective by completing infrastructure safety improvements, promoting work zone safety, increasing the number of Commercial Vehicle Safety Alliance (CVSA) inspections, reducing the number of unsafe commercial vehicles and regulating provincial railways.

Key Results

- Improve safety of provincial railway operations to protect the public and railway employees by collecting and approving railway safety management plans. [2005-06 planned result]

  ↳ Collected nine industrial and one common carrier safety management plans. All known operators had an approved safety

management plan submitted by the end of 2005-06.

- Complete 20 478 km of centreline marking and 24 738 km of edgeline marking on the surfaced system. [2005-06 planned result]

  ↳ Completed 20 783 km of centreline marking and 25 468 km of edgeline marking.

- Replace 700 single post signs and 500 double post signs. [2005-06 planned result]

  ↳ Replacements of 1 845 single post signs and 934 double post signs were completed. The original estimate was not reflective of the department's typical sign maintenance activities and future targets will be appropriately higher.

- Complete approximately 25 safety improvement projects through the department's Safety Improvement Program. [2005-06 planned result]

  ↳ 35 safety improvements were completed through the Safety Improvement Program at a total cost of $727,000. Another six projects are carried over to 2006-07 with an estimated cost of $191,000.

  ↳ Project number estimates are based on an average number of historical projects per year. However, total dollars expended have not changed significantly. The higher number of projects this year reflects that the department is doing lower cost projects.

- Tender 35 400 hectares of mowing at a total estimated cost of $1.08 million to control vegetation on side slopes for optimum snow and ice control. [2005-06 planned result]

  ↳ Completed 35 100 hectares of mowing at a cost of $1.2 million.

- Provide public access to highway hotline road information systems through toll free telephone service and the Internet. [2005-06 planned result]

  ↳ The Highway Hotline toll free line received over 369 000 calls, a two per cent increase from the year before. The Internet site had 1.1 million hits, 22 per cent more than the previous year.

- Implement the Saskatchewan Highways and Transportation Road Salt Management Plan including a training program for the environmental management of road salt usage. [2005-06 planned result]

  ↳ The plan has been approved and is being implemented. A training action plan is under development.

- Conduct 9 500 truck safety inspections at roadside, permanent scales and major check stops. [2005-06 planned result]

  ↳ Transport Compliance performed 11 537 inspections.

- Participate in the annual international safety inspection event named Roadcheck and conduct industry training seminars on Commercial Vehicle Safety Alliance (CVSA) inspection standards to help carriers pass CVSA inspections and reduce out of service rates. [2005-06 planned result]

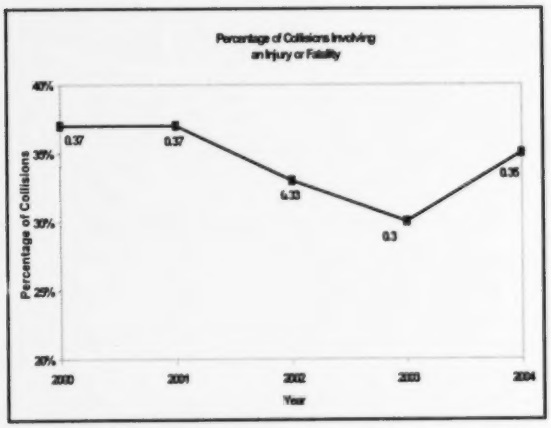
  ↳ Inspected 550 commercial vehicles at the event scheduled on June 7 and 8, 2005.

- Participate in the Operation Air Brake campaign as part of an international effort to reduce brake defects in commercial vehicles. [2005-06 planned result]

  ↳ Participated in one international operation air brake event on May 5, 2005 and inspected 304 commercial vehicles.

Measurement Results

Per cent of all collisions involving an injury or fatality



Data Source: Saskatchewan Government Insurance (Traffic Accident Information System) and Department of Highways and Transportation – Corporate Support Branch

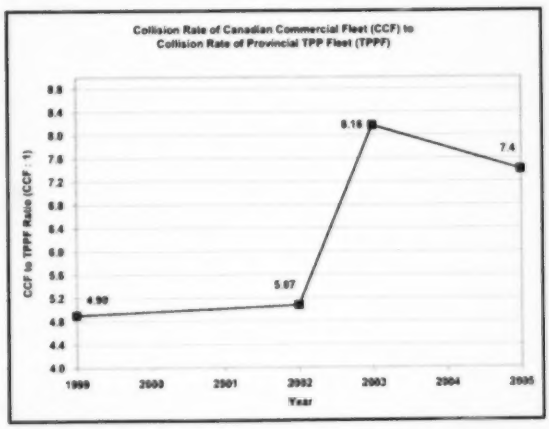
This performance measure gauges the effectiveness of infrastructure at reducing the severity of collisions.

In 2005-06, 30 per cent of all collisions on the provincial highway system involved an injury or fatality. The department has limited influence over reducing the total number of collisions. However, the department continues to ensure that it strives to maximize improved levels of safety through its highway design, construction and maintenance practices and targeted safety improvement programs.

There are several variables that affect the number and/or severity of collisions on the highway system including driver behaviour, environmental conditions, enforcement and education campaigns, legislation changes, safety improvements made to vehicles, and average age of drivers. In fact, 70 per cent of all collisions can be attributed to driver error and are beyond the department's control. The department undertakes safety improvements like twinning, intersection improvements, installing guard rails, flattening side slopes, installing rumble strips, and improving signage which makes the infrastructure more forgiving in the event of a collision. These improvements may lessen the severity of the collision but not necessarily prevent it from occurring.

Collisions involving wild animals are excluded from the performance measure. Also, the data from urban roads or other roads provided by SGI is not included. This chart reflects collisions on provincial highways and rural roads. It should be noted that in August 2002 reporting of collisions changed. This has resulted in collisions not previously reported by or to the police are now included in the database. The impact is an increase in the total number of collisions which may decrease the performance measure result..

Ratio of partnership trucking fleet collision rate compared to Canadian commercial trucking fleet collision rate



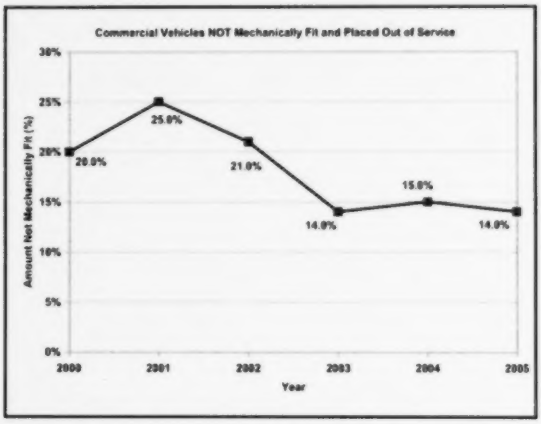
Data Source: Saskatchewan Government Insurance and Department of Highways and Transportation – Trucking Policy and Programs

This measure gauges how safe trucks are that take part in the department's TPP relative to the regular Canadian commercial fleet. Trucks operating under partnership agreements have higher operating standards and requirements than the average truck on the highway system. The measure results help monitor the effectiveness of the TPP standards in promoting truck safety and reducing collisions while increasing transportation efficiency.

The department cannot influence the Canadian commercial trucking fleet collision rate. However, it develops the standards and policies required for vehicles and operators involved in the TPP. The department monitors and enforces these policies and standards to ensure companies in the TPP focus on commercial vehicle safety and operator competence allowing these trucks to operate as safely as possible.

Data sources for this measure are under review for 2006-07.

Per cent of commercial vehicles inspected that are not mechanically fit and placed out of service.



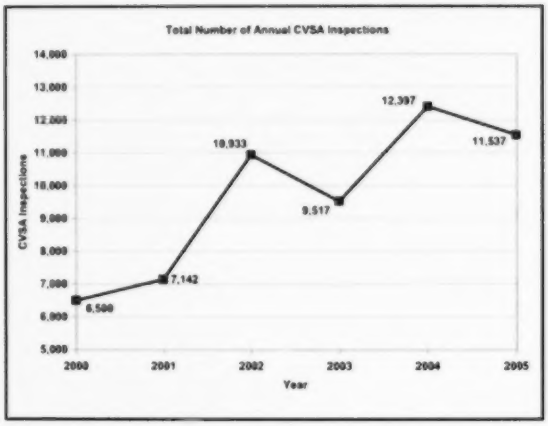
Data Source: Department of Highways and Transportation - Transport Compliance Branch

This measure provides an indication of the success of the department's safety communications messaging and enforcement efforts by monitoring the change in commercial vehicle safety rates. Using the results of the CVSA inspections, it measures the per cent of commercial vehicles that are not mechanically fit and are still operating on the highway system.

In 2005-06, 14 per cent of vehicles inspected through CVSA inspections and the Road Check event were not mechanically fit and placed out of service. The long-term trend suggests that the Department's education and safety compliance efforts are reducing the number of unsafe commercial vehicles operating on the provincial highway system.

The department has some influence over this performance measure by increasing transport compliance resources, increasing the effectiveness of communication, and focusing efforts on commercial vehicle safety inspections. These activities, in conjunction with weight compliance activities, enhance the importance and profile of commercial vehicle safety for Saskatchewan carriers, which should help reduce the number of unsafe trucks on the provincial highway system.

Number of Commercial Vehicle Safety Alliance (CVSA) inspections conducted per year



Data Source: Department of Highways and Transportation - Transport Compliance Branch

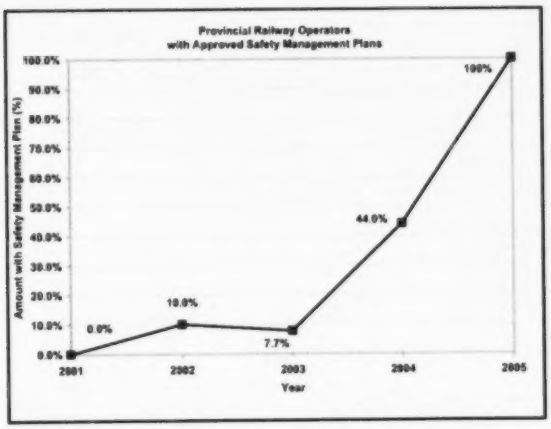
This measure monitors the number of CVSA inspections completed by the Transport Compliance Branch throughout the year, and is used in conjunction with the previous measure to determine the effort placed into enforcing commercial truck safety.

In 2005-06, the department conducted 11 537 CVSA inspections. This is 860 CVSA inspections fewer than the number of inspections completed in 2004-05. The number of certified inspectors plays a major role in the number of annual inspections. Transport Compliance Branch had four vacancies for most of 2005-06 which had an impact on the number of inspections. Efforts were redirected to weight compliance activities.

The department has a high level of influence over the measurement results since it provides the direction

and necessary resources for Transport Compliance officers to conduct CVSA inspections, which help improve commercial truck safety on the provincial highway system.

Per cent of provincial railway operators with approved safety management plans



Data Source: Department of Highways and Transportation – Rail Services

This measure gauges the department's ability to ensure provincial railways have developed procedures which support safe railway operation. This measure is calculated by dividing the number of provincial railways with approved safety management plans by the total number of provincial railways.

In 2005-06, 100 per cent of known provincial highway operators had an approved safety management plan. One additional common carrier plan was approved in 2005-06, bringing the cumulative total for common carriers up to seven plans approved. Common carriers haul for multiple users. All nine known industrial railway operators, hauling for their specific work site, had submitted safety management plans by the end of 2005-06.

This measure is under review in 2006-07.

Objective 2 – Increased workplace safety

Many of the department's activities take place in a high risk environment as employees work near high speed vehicles, around heavy equipment or in an industrial construction setting. The safety of employees and contractors is of critical importance to the department. Through various policies and programs, the department strives to provide a work environment that is free from harassment and discrimination, meets the physical needs of employees, provides a sense of safety and security and promotes a healthy attitude.

The department is making progress at this objective by promoting work zone safety and developing policies and processes to improve worker safety.

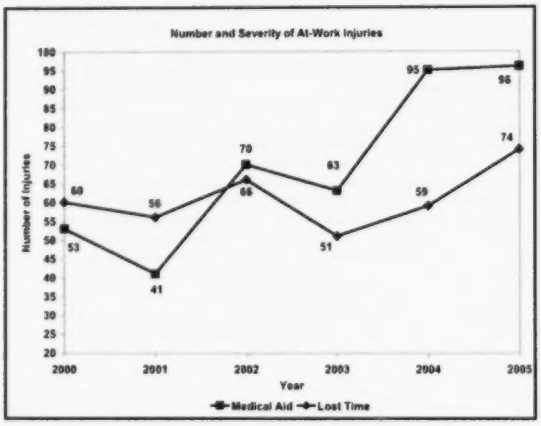
Key Results

- Continue improving and delivering employee safety training including safe operating practices, equipment training, hazardous materials, Workplace Hazardous Materials Information System, occupational health and safety and marine emergency duties. [2005-06 planned result]
  - Marine emergency training sessions were held for 20 employees.
  - Delivery of training to more than 200 staff included due diligence, harassment policy, safe operating procedures and guidelines, fire plan procedures, safety manual orientation, WHMIS, appropriate use of force, driving, flagperson training and Truck 1 and CVA certification.
  - Specialized training provided to employees included nuclear equipment handling, Truck 2 certification, chainsaw training, confined space certification, water rescue, ferry boat evacuation and Level 1 and 2 OH&S training.
- Perform 30 work zone and 20 highway construction audits. [2005-06 planned result]
  - Department regional safety coordinators completed 68 work zone and 38 highway construction site audits. Engineering construction staff in conjunction with the Saskatchewan Safety Council and the Heavy Construction Safety Association of Saskatchewan completed 22 worksite safety inspections and 25 work zone traffic audits.

- Attend trade shows to promote safety and awareness in the Orange Zone and Snow Zone
  - ↳ Traffic officers and managers attended 11 trade shows/fairs throughout the year.

Measurement Results

Number and severity of at work injuries



Data Source: Department of Highways and Transportation – Human Resources Branch, Occupational Health and Safety Statistics

Medical aid accidents are accidents in which the employee required medical aid after the accident then returned to work on the next shift. Lost time accidents are accidents in which the injured employee is required to visit a health practitioner and is not able to return to work on the next shift.

The results from 2004-05 have been corrected due to reporting of mid year results at year end. Medical aid accidents have been restated from 37 to 95, and lost time accidents have been restated from 27 to 59. In 2005-06 there were 96 medical aid accidents and 74 lost time accidents.

The department's safety programs and policies influence the number of accidents, but there can be significant annual variations. The department has instituted better occupational health and safety policies, which increased awareness among staff for reporting medical aid accidents. The department also has an aging workforce which contributes to an increase in the number of reported back and muscle strains/injuries.

2005-06 Financial Results

Program	2005-06 Budget ($ X 1,000)	2005-06 Actual ($ x 1,000)	Variance ($ x 1,000)
Vote 016:			
Central Management and Services	**16,182**	**15,253**	**(949)**
Executive Management	816	646	(170) [1]
Central Services	4,366	3,757	(609) [2]
Accomodation Services	11,000	10,850	(150) [3]
Preservation of Transportation System	**80,131**	**82,054**	**1,923**
Surface Preservation	69,774	71,256	1,482 [4]
Regional Services	7,857	7,803	(54)
Strategic Partnership Program - Road Management	2,500	2,995	495 [5]
Operation of Transportation System	**69,078**	**76,157**	**7,079**
Winter Maintenance	19,600	24,725	5,125 [6]
Road Safety and Traffic Guidance	16,784	18,718	1934 [7]
Operational Services	18,844	18,709	(135)
Transport Compliance	5,131	4,525	(606) [2]
Ferry Services	2,768	3,071	303 [8]
Airports	1,454	1,365	(89)
Information Technology Services	4,497	5,044	547 [9]
Transportation Policy	**2,041**	**1,864**	**(177)** [2]
Machinery and Equipment (Capital)	**7,500**	**7,497**	**(3)**
016 - Subtotal (Appropriation)	**174,932**	**182,825**	**7,893**
Special Warrant*	**5,200**		
Supplementary Estimates**	**3,591**		
016 - Subtotal (Appropriation)	**183,723**	**182,825**	**(898)**
Capital Asset Acquisitions	**(9,009)**	**(9,474)**	**(465)**[10]
Capital Asset Amortization	**94,430**	**90,588**	**(3,842)**[11]
016 - Total Department Expense	**269,144**	**263,939**	**(5,205)**
Custom Work Net Recovery	**0**	**(49)**	**(49)**
Vote 017:			
Infrastructure Rehabilitation includes 2004-05 carryover	**49,661**	**39,866**	**(9,795)**[12]
Infrastructure Enhancements includes 2004-05 carryover	**81,697**	**84,918**	**3,221**
Highways and Bridges	78,447	79,658	1,211[13]
Strategic Partnership Program - Road Construction	3,250	5,260	2,010[14]
017 - Total Department Capital Appropriation***	**131,358**	**124,784**	**(6,574)**
Total	**315,082**	**307,609**	**(7,472)**

* The department accessed special warrant funding to cover the increase costs associated with snow and ice control largely due to the number of ice events that occurred during the winter months.

** The department accessed supplementary estimate funding to cover the increased costs associated with surface preservation due to wet conditions, increase in fuel costs and incremental costs associated with flooding conditions across several areas of the province.

*** Includes 2004-05 Vote 017 carryover funding of $6.261 million.

Explanations for major variances:

1. Reduced costs resulting from cost share agreements for Minister's Office expenses.
2. Reduced costs related to vacancy management and related administrative expenses.
3. Reduction in accommodation costs in various locations and carry over of capital work to 2006-07.
4. Increased surface program maintenance activity largely associated with wet weather conditions and higher fuel costs.
5. Increased costs associated with partnership projects.
6. Increased snow and ice control activity throughout the winter due to icy conditions and higher fuel costs.
7. Major culvert repair and highway repairs/washouts due to flooding.
8. Increased costs related to the Riverhurst Ferry and other operating costs.
9. Increased information technology costs associated with hardware and software purchases and infrastructure support costs.
10. Increased capital asset acquisitions (i.e., purchase of gravel pits).
11. Reduction in amortization is due to carryover of capital projects and the yearend change in aggregate inventory value.
12. Carryover of resurfacing projects resulting from wet weather conditions affecting contractor progress.
13. Increased costs due to the net change in construction projects delivered under this program.
14. Increased costs associated with various construction partnership projects.

2005-06 Revenues

The department collects revenue relating to sale of crown lands or material on behalf of the Government. The department also collects revenue from the federal government to reimburse the province for infrastructure improvements completed under the federal-provincial cost shared infrastructure programs. All revenue collected is deposited in the General Revenue Fund. Below is a summary of the department's 2005-06 budgeted revenue compared to actual revenue.

Revenues	2005-06 Budget ($000s)	2005-06 Actual ($000s)	Variance ($000s)
Sales, Services and Service Fees	**1,245**	**1,868**	**623** [1]
Transfers from Federal Government	**29,961**	**30,276**	**315**
Prairie Grain Roads Program	13,200	9,654	(3,546) [2]
Strategic Highway Infrastructure Program	710	416	(294)
Canada Strategic Infrastructure Fund	14,038	17,836	3,798 [3]
Airport Capital Assistance Program	230	284	54
Border Infrastructure Fund	1,340	1,717	377 [3]
National Safety Code	143	142	(1)
Canadian Intelligent Transportation System	300	227	(73)
Transfers from Other Government Entities	**0**	**1,684**	**1,684** [4]
Total	**31,206**	**33,828**	**2,622**

1. Additional revenue was received relating to custom work surcharges, sale of materials and refunds.
2. Less funding was recovered resulting from less work completed under this program than originally planned.
3. More funding was recovered for additional work completed under these two programs than originally planned.
4. New reporting requirement for recording revenue for capital projects completed in the Transportation Partnerships Fund that are transferred to the General Revenue Fund – Highways and Transportation.

Transportation Partnerships Fund

The department is responsible for managing the Transportation Partnerships Fund (TPF). The department's Transportation Partnership Program (TPP) generated $3.9 million in revenue for the TPF including a one time payout of $2.1 million held by industry partners in reserve accounts. The TPF invested $1.9 million on transportation system improvements in 2005-06 and the TPF balance was $3.6 million on March 31, 2006.

The TPF financial statements can be found at www.highways.gov.sk.ca/tpf_0506.

Revolving Fund

Statements were audited for the Highways Revolving Fund for the year ended March 31, 2006. The financial statements will identify that no activity occurred in the Fund over the audit period. However the note disclosure will indicate that effective April 27, 2006 legislation was passed discontinuing the use of the Fund.

The Revolving Fund financial statements can be found at www.highways.gov.sk.ca/rf_0506.

Loans and Guaranteed Debt

The department administers the Short Line Railway Financial Assistance Program for the province. Additional information is provided in Appendix B.

Where to Obtain Additional Information

The department is confident that this report provides useful information about its accomplishments and future plans. If you have any questions or comments, or would like additional copies of the annual report, we invite you to call 787-4800, or contact:

Communications Branch
1855 Victoria Avenue
Regina, Saskatchewan S4P 3T2

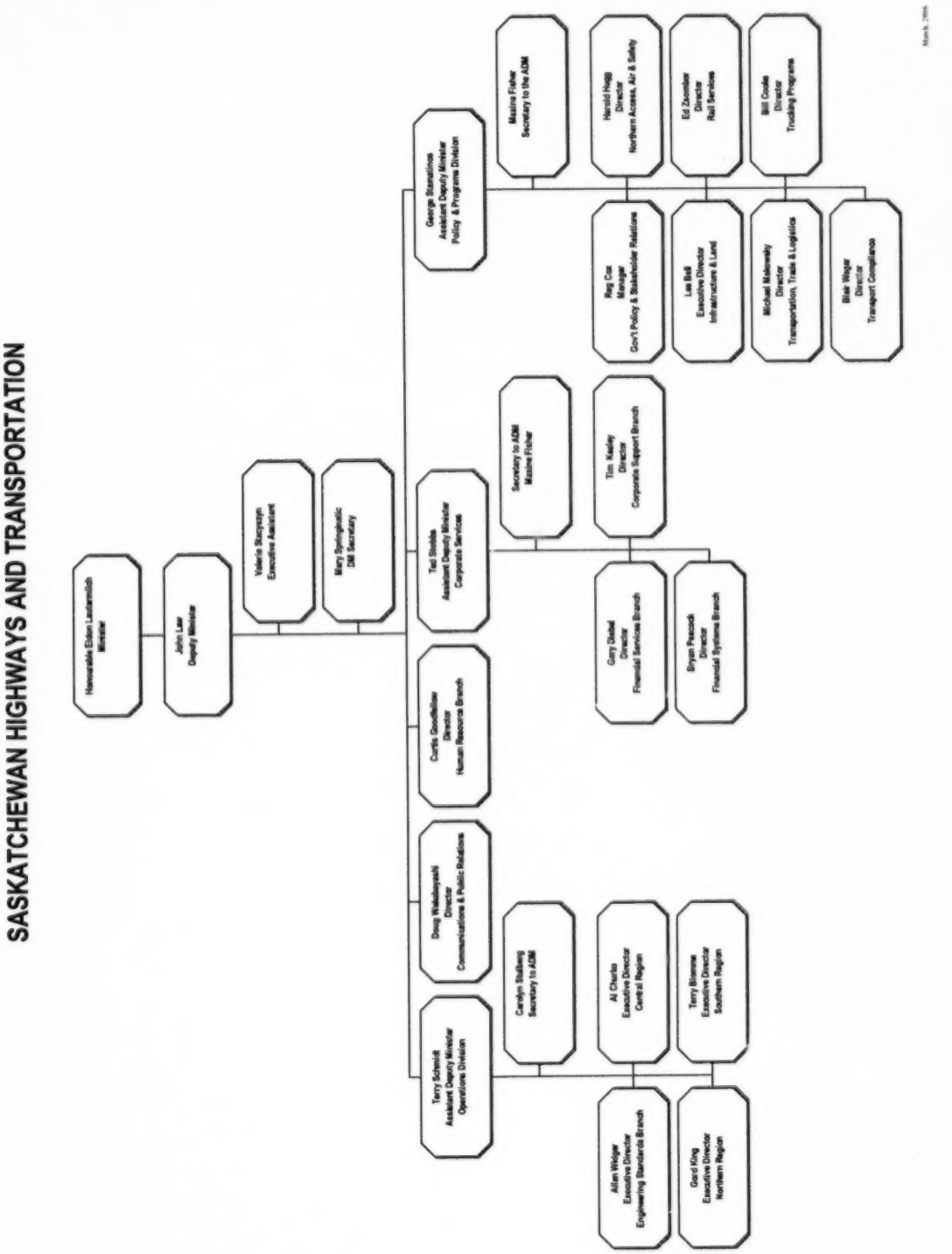
Or send us an e-mail through the Saskatchewan Highways and Transportation website:

www.highways.gov.sk.ca

Visit our website to find out about:

- Construction Projects
- Winter Tender Schedule
- Spring Tender Schedule
- Road Conditions and Travellers Information
- Saskatchewan Truckers Guide
- Rural Road Classification Map

Appendix A
Organization Chart (As of March 31, 2006)



Appendix B - Loan Disclosure

The department administers the Short Line Railway Financial Assistance Program. Under this program, the province can provide municipalities or local community groups that want to preserve rail service in their area with an interest free loan for the capital acquisition of rail infrastructure which is being abandoned. The potential short line operator must have a business plan which demonstrates that the short line railway is feasible. The loan is repayable over 15 years, with a discretionary three year grace period.

Prior to 2002, short line railways made application for grants under the federal Canada Agriculture Infrastructure Program (CAIP). In 2002-03, $3.1 million was received by the TPF to provide the matching loans, an amount similar to that remaining in the expiring CAIP. A legislative amendment was passed enabling the TPF to receive the repayment of the federal grant portion. New regulations were enacted in 2004 to reflect that the matching CAIP grant has been replaced with a matching loan from the TPF.

To date, three loans have been made through this program. In 1999-00, a short line railway company applied for a $177,000 provincial loan and a $177,000 CAIP grant. Both were approved and agreements finalized.

In 2004-05 a producer owned company received a loan in the amount of $1.76 million for the purchase of a rail network in the southwest of the province. This loan was issued under the new regulations and funds were provided from the TPF and General Revenue Fund on a 50/50 split. As a result of this loan the department recorded a grant expense reflecting the value of the interest free concessionary terms of $319,000 relating to the $880,000 loan from the General Revenue Fund.

In 2005-06, several local governments in southern Saskatchewan negotiated the purchase of a branchline. The local governments were granted a loan in the amount of $240,000, with funding split between the TPF and the department.

This loan program supports the department's objective of a "transformed regional transportation network to meet the future needs of rural Saskatchewan". A short line railway reduces truck traffic since agricultural products are hauled long distances by rail, rather than by large trucks on the provincial highway system. Reducing the amount of heavy truck traffic helps the department sustain the condition of rural TMS highways.

Short Line Railway Loans	**2005-06 Budget**	**2005-06 Actual**	**Variance ($000s)**	
Beginning Balance	1,057	1,057	0	
Additions	800	120	(680)	1
Reductions	(18)	(3)	(15)	
Ending Balance	**1,839**	**1,174**	**(665)**	

Explanation of Variance:

1. The variance in actual additions to the budgeted amount of loans is a result of an anticipated application being delayed until 2006-07.

Appendix C - Legislation

The Minister of Highways and Transportation is responsible for the following Acts and Regulations:

The Highways and Transportation Act, 1997

- The Wollaston Lake Barge Operation Regulations
- The Controlled Access Highways Regulations
- The Erection of Signs Adjacent to Provincial Highways Regulations, 1986
- The Provincial Highways Designation Regulations, 1990
- The Highways and Transportation Act Regulations (Autowreckers Licensing)
- The Vehicle Weight and Dimension Regulations, 1999
- The Security of Loads and Trip Inspection Regulations

The Dangerous Goods Transportation Act

- The Dangerous Goods Transportation Regulations

The Engineering and Geoscience Professions Act

The Railway Act

- The Final Offer Arbitration (Railway) Regulations

The Sand and Gravel Act

The Saskatchewan Grain Car Corporation Act

The Government Organization Act (not responsible for Act, three sets of Regulations)

- The Short Line Railway Financial Assistance Regulations
- The Department of Highways and Transportation Regulations
- The Railway Line (Short Line) Financial Assistance Regulations (Enacted in June 2004)